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The President's Daily Brief

June 26, 1976

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FOR THE PRESIDENT ONLY

June 26, 1976

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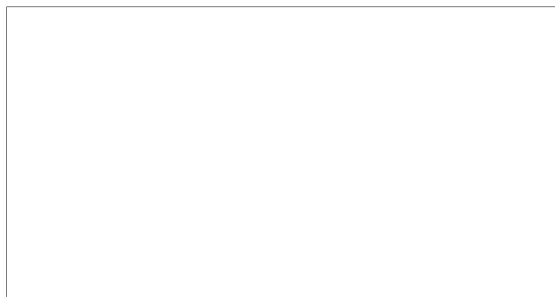
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LEBANON: *Christian militiamen pressed their assault yesterday on two Palestinian refugee camps in Beirut--Tall Zatar and Jisr al-Basha--for the fourth consecutive day.*

The fall of the camps would be the Palestinians' first major defeat at the hands of the Christians. The Palestinians still control most of west Beirut, however, and would not necessarily be more willing to engage in serious negotiations.

Palestinian and leftist forces in the western part of the city stepped up retaliatory attacks yesterday against two Christian residential districts, action that threatens to draw the Phalanges Party militia into the ground fighting.

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We do have evidence that the Libyans may be using their new role in Lebanon to rearm the Palestinian and leftist militias.

A Libyan ship--presumably carrying arms--was instructed to head for Sidon on June 22 just after Libyan Prime Minister Jallud had arranged for the phased withdrawal of Syrian forces from that southern port.

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Egypt and Iraq are also cooperating in efforts to send arms to the Palestinians through Sidon. One shipment reportedly has already arrived and another is due this weekend.

Libya's suspicious activities and the explosive situation in Beirut will almost certainly preclude any further deployment of the Arab

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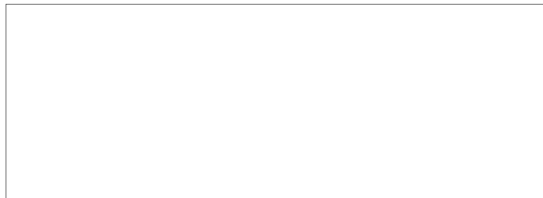
League peace-keeping force and may upset what little progress has been made toward implementing Prime Minister Jallud's truce agreement.

The first phase of the agreement involving the exchange of prisoners and the withdrawal of Syrian troops from Beirut is already well behind schedule. The Syrians, moreover, show no willingness to comply fully with the second phase, which calls for their further withdrawal from Beirut and Sidon.

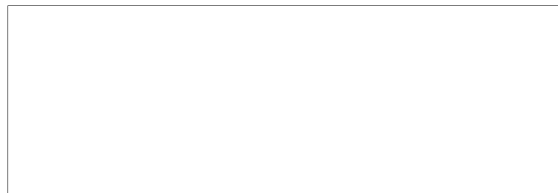
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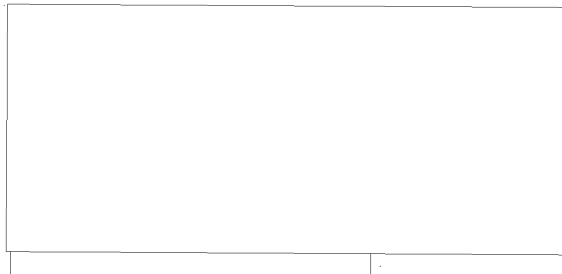
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PORTUGAL: Portuguese army chief Ramalho Eanes is the clear favorite in the presidential election scheduled to be held tomorrow. Latest medical reports on the condition of Prime Minister Azevedo describe him as improving.

General Eanes could be hurt by a low voter turnout that would tend to help the two leftist candidates--former security chief Otelo de Carvalho and Communist central committee member Octavio Pato. Eanes expects to pick up some of Azevedo's support, but many of the Prime Minister's backers and lukewarm Eanes supporters may not vote in the belief that the army chief's victory is now assured.

Should Eanes fail to obtain a first ballot majority, he will be forced into a runoff with the candidate who finishes in second place. Azevedo was expected to wage the most effective campaign against Eanes, but his illness is likely to knock him out of the running. Carvalho has emerged as something of a dark horse, often attracting enthusiastic crowds twice as large as those who turned out for Eanes. Some public opinion polls reportedly showed that he had overtaken Azevedo even before the latter's heart attack.

If a runoff is needed, it must be held within 21 days. Even without a runoff, Portuguese officials expect completion of the official

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vote count will require a week to ten days. The president will be sworn in eight days later. The new government is unlikely to take over until mid-July.

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ITALY: Political leaders are probing cautiously for signs of party flexibility prior to the opening of negotiations on a new government.

The Socialists are sticking to their campaign position that any new government must at least seek Communist support in parliament. According to one Socialist leader, serious disunity may dissuade the party from reentering the cabinet in the immediate future but it would probably support the formation of a Christian Democratic minority government if agreement can be reached on certain programs.

The Communist directorate said this week that the party is ready to assume responsibility "in accordance with its political weight."

The Communists have been dropping hints, however, that they would be willing to enter into a formal consultative relationship with a government in which they would hold no cabinet posts. At the same time, the Communists are saying that their increased strength in parliament entitles them to the presidency of either the chamber or the senate.

Possibly with the intention of influencing party positions as to the next government, the Secretary General of Italy's largest labor union, himself a Communist, has urged that cost-of-living wage adjustments be applied only to earnings below a fixed level. Any offer to curb cost-of-living adjustments in wages is a sharp break

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from previous trade union and Communist policy. The remarks of the labor official come as Italy's trade unions are about to resume their triennial wage negotiations.

Several Christian Democratic leaders have made clear that they will aim for the revival of their alliance with the Socialists.

The party directorate will meet Wednesday, and the national council--the party's chief deliberative body--will gather on July 3.

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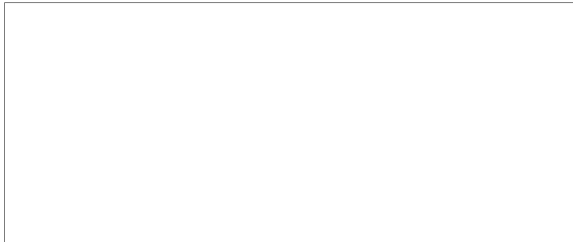
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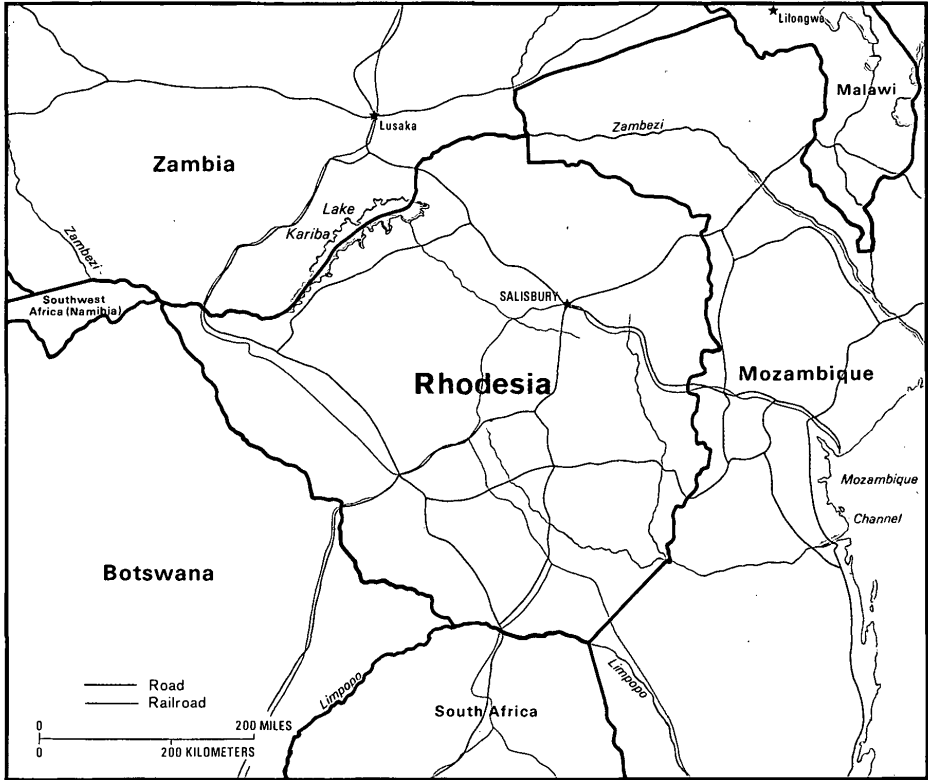
POLAND: *Prime Minister Jaroszewicz announced yesterday afternoon the withdrawal of the stiff food price increases that the government proposed Thursday.*

The regime caved in to the demands of striking workers. The abrupt cancellation of the price rises suggests that public disturbances were in fact more widespread and serious than initial reporting indicated.

The police reportedly have not yet confronted the strikers. They are undoubtedly under orders to play it cool in order to avoid the over reactions that led to the riots of December 1970. Those riots toppled the Gomulka regime and brought Gierek to power. Even so, the success of the workers in forcing the government to back down could so encourage them that they might make it difficult for the Gierek leadership to restore order.

Warsaw's efforts to regain public confidence will almost certainly include personnel shifts as Gierek seeks to protect his position. He must also make a major effort to tighten social discipline without again sending the workers into the streets. Overall, the regime's actions have made it even more difficult to solve pressing economic problems.

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NOTES

Mozambican troops are acting more aggressively against Rhodesian security forces in response to cross-border Rhodesian operations.

[redacted] Mozam^{25X1}
 bicans attacked a camp on the north-east Rhodesian border this week with mortar and artillery fire. Earlier this month, they fired mortars and rockets across the south-eastern Rhodesian border on three occasions.

There is further evidence of guerrilla operations across the Zambian border into northwestern Rhodesia.

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 [redacted] In one incident the guerrillas tried to sabotage a Rhodesian air strip near the Zambian border.

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Kenyan [redacted]

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